**TENNESSEE GENERAL ASSEMBLY**
**FISCAL REVIEW COMMITTEE**

# FISCAL NOTE

## HB 1557 – SB 2561

February 7, 2016

**SUMMARY OF BILL:** Extends indefinitely the provisions of Public Chapter 409 of the Public Acts of 2013, which prohibited the Commissioner of Commerce and Insurance from disallowing an agreement between a health maintenance organization (HMO) and any physician-hospital organization, or any other provider, provider group, or provider network, for the provision of health care services on a prepayment basis or other risk sharing basis on the basis that it transfers risk to the physician-hospital organization, or other provider, provider group, or provider network or transfers risk of payment for services to the physician-hospital organization, or other provider, provider group, or provider network if the HMO:

- remained contractually responsible to its enrollees;
- entered into contractual arrangements that ensure compliance with applicable federal law, rule, regulation or waivers, including federal requirements; and
- assured the physician hospital organization, or other provider, provider groups, or provider networks that are at substantial financial risk obtain either aggregate or per-patient stop-loss protection insurance coverage for the healthcare services included in the scope of the arrangement or the HMO remains contractually responsible to the subcontracted providers and provides a system for reserving for its continued liability.

## ESTIMATED FISCAL IMPACT:

**NOT SIGNIFICANT**

Assumptions:

- Tenn. Code Ann. § 56-32-104(a)(3) currently prohibits the Commissioner of Commerce and Insurance from disallowing an agreement between an HMO and any physician-hospital organization for the provision of basic health care services on a prepayment basis on the basis that it transfers risk to the physician-hospital association under certain circumstances.
- Any fiscal impact to the Department of Commerce and Insurance will be not significant. The proposed legislation will impact the TennCare HMOs regulated by the TennCare Oversight Division and the HMOs regulated by Insurance Division. The Divisions will be able to enforce this bill through the review of operational documents filed by HMOs for approval and the investigation of complaints and can be performed within existing resources.
- Based on information provided by TennCare, this legislation preserves current law and would not have any fiscal impact.

- The Division of Benefits Administration does not currently utilize any HMOs. The state sponsored public sector plans administered by the Division are entirely self-funded, meaning that risk is absorbed by the state as the plan sponsor.

## IMPACT TO COMMERCE:

**NOT SIGNIFICANT**

Assumption:

- The proposed legislation will have no significant fiscal impact on insurers in the State of Tennessee as this legislation extends the effectiveness of rules governing risk sharing agreements.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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